mailed to all Reps homes

FSC-

September 20, 1996

To All Field Sales Employees:

President Clinton's unprecedented move to give the FDA regulatory authority over tobacco products is seen by many to be more of a political move than a real solution to preventing underage kids from using tobacco products.

As you know, R. J. Reynolds, along with other manufacturers, and the advertising and retail industry have filed lawsuits in the Federal District Court in Greensboro, North Carolina. Our attorneys have moved for summary judgments on the grounds:

- The FDA has no jurisdiction to regulate tobacco products.
- Tobacco products are not drugs, devices or drug-delivery devices within the meaning of Food, Drug and Cosmetic Act.
- The advertising restrictions contained in the regulations violate the First Amendment.

The court has established a briefing schedule, and oral arguments on the motion are scheduled for February 10, 1997. A favorable ruling on either of the first two grounds would void all of the regulations. A favorable ruling on the third issue only would void restricting advertising of tobacco products.

The court has been informed that a ruling is needed by the end of February 1997 because portions of the FDA regulations are scheduled to take effect at the end of that month. If an unfavorable ruling is reached, most provisions would go into effect August 28, 1997, including bans of self-service displays of tobacco products. Two provisions affecting retailers go into effect on February 28, 1997, including the prohibition on sales to persons under the age of 18, which is already law in all 50 states, and the requirement that retailers verify the age of all tobacco purchasers who are 26 years old or younger by means of photo identification.

We feel our legal position is strong; however, we must not sit by to see what happens in the courts. We still have time to take action. A legislative solution is still a real possibility. We can encourage our elected officials to take the necessary steps to stop this unprecedented regulation and stop this attack on our business and personal freedoms.

Here is what we can do:

- First and foremost, the regulations, if enacted, would not be effective for some time, so you should inform your retailers not to make any changes in the way they are currently doing business, including the use of self-service displays and other in-store POS materials.
- We need to write President Clinton at the White House.
- We need to write our U.S. Senators and Congressman and our state and local officials.
- We need to communicate the FDA threat to our trading partners and encourage them to defend their rights.

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- We need to get our customers to take action. They can contact their federal, state and local elected officials and candidates running for office. They can spread the word among their employees and suppliers. They can issue company news releases, opinion articles and letters to the editor of their local paper.

- We need to ensure that our trading partners are enforcing the current regulations through programs like *WE CARD* and remind them that this program must be taken seriously.

We can make a difference, just like we made a difference when we were confronted with the FET threats. Tell your elected officials you oppose more costly big government programs that cost jobs, business profits, infringe on personal freedoms and will do little to solve the problem. Tell them you do not think kids should use tobacco products and that you support every reasonable measure to reduce youth access to tobacco. Measures like the new industry efforts, the *WE CARD* program, and the federal governments' new SAMHSA (Substance Abuse and Mental Health Services Administration) regulations that were just enacted this past January. These programs get to the root of the youth smoking issue. Let's give them a chance!

I hope you will join me in making every effort to let our trading partners and elected officials know that the FDA regulations are not the answer to solving the youth smoking issue.

Thank you for your past efforts and in advance for your future efforts.

Sincerely,

J. V. Maguire
Senior Vice President, Sales

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